



2005 ASSEMBLY BILL 195

March 10, 2005 - Introduced by Representatives FREESE, GRONEMUS, ALBERS, GARD, HAHN, HINES, HUBLER, KREIBICH, LOEFFELHOLZ, MUSSER, NERISON, OTT, PETROWSKI, SCHNEIDER, SHERMAN, TOWNSEND, VOS and WOOD, cosponsored by Senators BROWN, ERPENBACH, GROTHMAN, HARS DORF, JAUCH, KANAVAS, OLSEN and ZIEN. Referred to Committee on Energy and Utilities.

- 1 **AN ACT** *to renumber* 196.204 (1); and *to create* 196.204 (1) (b) of the statutes;
2 **relating to:** retained earnings of telecommunications cooperatives.

Analysis by the Legislative Reference Bureau

Under current law, a telecommunications utility is allowed to subsidize nonutility activities only with the telecommunications utility's retained earnings. Before 2003, the Public Service Commission (PSC) required a telecommunications utility that is a cooperative to follow accounting procedures that, for purposes of this law, treated the cooperative's patronage capital in the same manner as the retained earnings of other telecommunications utilities. Patronage capital is generally understood to mean the revenues of a cooperative that exceed its costs. In a decision effective January 1, 2003, the PSC interpreted the meaning of "retained earnings" for purposes of this law so that it does not include the patronage capital of a cooperative.

This bill reverses the PSC's decision and, as a result, restores the accounting procedures that were in effect before 2003. Under the bill, the retained earnings of a telecommunications utility that is a cooperative include its patronage capital. The bill specifies that retained earnings include patronage capital whether or not it is allocated to cooperative members, and regardless of its source or the manner in which it is classified in the financial statements of the cooperative.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

